

## H.R. 290 THE UNEMPLOYMENT INSURANCE MODERNIZATION ACT

(Option A or B must be selected. 2 Options from option 1, 2,3 or 4 must be selected.)

(A) The State law meets the requirements of this paragraph if such State law uses a base period that includes the most recently completed calendar quarter before the start of the benefit year for purposes of determining eligibility for unemployment compensation.

**This means changing our base periods from the first four of the last five quarters to the last four completed calendar quarters. (Ex. If the claimant opened a claim on Jan 15, 2009 then the base period would be January 1, 2008 to December 31, 2008.)**

How much would it cost to implement these changes?

IT Costs: \$150,000

Additional staff Costs: \$405,000 per year

Postage costs: \$60,000 per year increase

How long would it take to implement these changes?

6 months, 2000 hours

Effect on claimants eligibility and impact to the Trust fund?

789 less in FY 2005; 201 less in FY 2006; 141 more in FY 2007; 53 less in FY 2008; estimated 478 more in FY 2009; and estimated 522 more in FY 2010.

Utah's maximum potential liability with this law would be about \$18 million more each year.

Utah's actual likely liability with this law would be about \$12 million more each year.

(B) The State law meets the requirements of this paragraph if such State law provides that, in the case of an individual who would not otherwise be eligible for unemployment compensation under the State law because of the use of a base period that does not include the most recently completed calendar quarter before the start of the benefit year, eligibility shall be determined using a base period that includes such calendar quarter.

**This essentially means that if a claimant did not monetarily qualify for benefits using the current "standard base period" (first 4 of the last 5 completed calendar quarters) that the department would look at the claimant's "alternate base period" (the last 4 completed calendar quarters) to determine eligibility.**

How much would it cost to implement these changes?

One-time IT Costs: \$250,000

Additional staff Costs: \$189,000 per year

Additional postage costs \$10,000 per year

How long would it take to implement these changes?

6 months

Effect on claimants eligibility and impact to the Trust fund?

765 more in FY 2005; 1,097 more in FY 2006; 1,153 more in FY 2007; 1,162 more in FY 2008; estimated 1,655 more in FY 2009; and estimated 1,805 more in FY 2010. About 1,273 claimants per year would become eligible.

Utah's maximum potential liability with this law would be about \$4.9 million more per year.

Utah's actual likely liability with this law would be about \$3.3 million more per year.

Currently 20 states have an alternate base period provision in their law.

### **Eliminate the current UI “20 week rule”?**

Should the UI qualification for benefits under the “20-week rule” be eliminated if the “alternate base period” provision is adopted? Currently in Utah, if a claimant does not monetarily qualify for benefits using the “standard base period” (1.5 times your high quarter in your base period and earned at least \$3,000) you may qualify by providing proof of 20 weeks of employment with at least \$150 in each week.

In CY 2008 only 236 claimants (.3% of all claimants) monetarily qualified for \$629,336 in benefits under this provision. We anticipate that approximately 80% of these claimants would monetarily have qualified for benefits with the proposed “alternate base period” (using the last 4 completed calendar quarters).

How much administrative cost would be saved if this provision was eliminated?

One FTE spends 80% of her time working on the “20 week rule” thus we anticipate a savings of approximately \$50,000 in staffing costs and postage.

What is the impact on the UI Trust Fund?

We anticipate approximately 50 claimants per year would not monetarily qualify for benefits under the “standard base period” or the “alternate base period” amounting to approximately \$100,000 savings to the trust fund.

### **Recommendation:**

Eliminate the “20 week rule”; it is administratively cumbersome to the department and employers, adoption of the “alternate base period “ would provide eligibility coverage to most claimants. Utah is one of only three states (Ohio & NJ) with a “20 week rule”.

Utah’s actual likely net impact on the Trust Fund with this law would be about \$3.2 million more per year if the “alternate base period” is adopted and the “20 week rule” was eliminated..

1. An individual shall not be denied regular unemployment compensation under any State law provisions relating to availability for work, active search for work, or refusal to accept work, solely because such individual is seeking only part-time (and not full-time) work, except that State law provisions carrying out this subparagraph may exclude an individual if the majority of the weeks of work in such individual’s base period do not include part-time work.

**This would eliminate the requirement that claimants seek full-time work if they had a majority of part time work in their base period; seeking only part time work would no longer be disqualifying for people who normally work part time; refusing full time work because claimant is only looking for part time work would no longer be disqualifying for people who normally work part time.**

How much would it cost to implement this change?

- Additional staff Costs: \$108,000 per year
- One-time IT Costs: \$50,000

How long would it take to implement these changes?

1-2 months

How many claimants were denied benefits because they were only seeking part-time work?

1,891 in FY 2005; 1,468 in FY 2006; 1,289 in FY 2007; 1,192 in FY 2008; 2,418 estimated in FY 2009; and 2,639 in FY 2010

What is the impact on the UI Trust Fund?

The maximum potential liability would be about \$9 million per year, however the likely liability would be about \$6 million per year. Twenty states currently have “part-time worker” coverage.

2. An individual shall not be disqualified from regular unemployment compensation for separating from employment if that separation is for any compelling family reasons. For purposes of this subparagraph, the term ‘compelling family reason’ means the following: (i) domestic violence..., (ii) illness or disability of an immediate family member, (iii) the need for the individual to accompany such individuals spouse to a place from where it is impractical to commute; and is due to a change in location of the spouse’s employment.

**If the claimant is separated from work due to domestic violence, illness or disability of an immediate family member *or if they quit to accompany a spouse* no disqualification will be assessed. Utah’s current law provides that if a claimant quits their employment, UI benefits can be awarded if the claimant demonstrates they either had good cause or, in the absence of good cause, that it would be against equity and good conscience to deny benefits (except cases involving a quit to accompany spouse). Typically both provisions (i) and (ii) are awarded UI benefits in Utah law under the “equity and good conscience” provisions thus only provision (iii) needs to be modified in Utah.**

How much would it cost to implement these changes?

- One-time IT Costs: \$10,000

How long would it take to implement these changes?

1 month

How many claimants were denied benefits because they quit to accompany a spouse?

326 in FY 2005; 244 in FY 2006; 209 in FY 2007; 223 in FY 2008; 419 estimated in FY 2009; 454 estimated in FY 2010

What is the impact on the UI Trust Fund?

Utah’s maximum potential liability with this law would be about \$2.8 million more per year. Utah’s actual likely liability with this law would be about \$1.9 million more per year.

3. Weekly Unemployment Compensation is payable under this subparagraph to any individual who is unemployed (as determined under state law), has exhausted all rights to regular unemployment compensation under state law and is enrolled and making satisfactory progress in a State-approved training program **or** in a job training program authorized under the Workforce Investment Act of 1998... The amount of unemployment compensation payable under this subparagraph to an individual for a week of unemployment shall be equal to the individual's average weekly benefit amount (including dependents' allowances) for the most recent benefit year, and the total amount of unemployment compensation payable under this subparagraph to any individual shall be equal to at least 26 times the individual's average weekly benefit amount (including dependents' allowances) for the most recent benefit year.

**Allow up to 26 weeks of extended training benefits to claimants in a state approved training program.**

How much would it cost to implement this change?

- IT Costs: \$500,000
- Additional staff Costs: \$108,000 per year

How long would it take to implement this change?

With 4 IT staff working on it full time 1 year

How many claimants might benefit from these extended training benefits?

1,567 in FY 2005; 1,098 in FY 2006; 1,248 in FY 2007; 1,461 in FY 2008; estimated 2,215 in FY 2009; and an estimated 2,416 in FY 2010.

Impact on the UI Trust Fund?

Utah's maximum potential liability with this law would be about \$15.7 million more per year.

4. Dependents' allowances are provided, in the case of any individual who is entitled to receive regular unemployment compensation and who has any dependents (as defined by state law), in an amount equal to at least \$15 per dependent per week, subject to any aggregate limitation on such allowances which the State law may establish (but which aggregate limitation on the total allowance for dependents paid to an individual may not be less than \$50 for each week of unemployment or 50 percent of the individual's weekly benefit amount. For the benefit year, whichever is less).

How much would it cost to implement this change?

- One-time IT Costs: \$200,000
- Additional staff Costs: \$675,000 per year

How long would it take to implement this change?

6 months

How many claimants might benefit from these dependent allowance benefits?

Unknown, this information is not presently captured.

Impact on the UI Trust Fund?

Utah's liability with this law would be about \$12-14 million more per year.

## H.R. 290 SUMMARY

	Option A	Option B	Option 1	Option 2	Option 3	Option 4
One Time IT Costs	150,000	250,000	50,000	10,000	500,000	200,000
Annual Administrative Costs	465,000	189,000	108,000	0	108,000	675,00
<b>Total</b>	<b>615,000</b>	<b>439,000</b>	<b>158,000</b>	<b>10,000</b>	<b>608,000</b>	<b>875,000</b>
Trust Fund Costs	12,000,000	3,200,000	6,000,000	1,900,000	15,700,000	14,000,000
Months to Implement	6	6	1-2	1	12	6

**Extending the federal surtax (.2 percent) on the Federal Unemployment Tax Act (FUTA) funds funding for the UI Modernization Act.**

**HR 290 also provides a one-time \$500 million distribution (Utah's share is estimated to be \$4.2 million) for UI administration costs, improved outreach, improvement of UI operations, and staff assisted re-employment services for UI claimants.**

**HR 290 provides up to a \$7 billion Reed Act distribution to the states in FY 2009, 2010, and 2011. Utah's maximum share is estimated to be \$56.5 million. The funds may be used to pay benefits or for the administration of it's UI law and public employment offices.**